

FY 2013-2014 Proposed Budget



**City Manager Tom Bonfield
May 20, 2013**

Good Evening. Mayor Bell, Mayor Pro-Tem Cole-McFadden, Members of the City Council, City Attorney Baker, City Clerk Gray, City staff, and residents of Durham present here tonight or viewing remotely on DTV8 or On-demand.

It continues to be my honor to be entrusted to lead this great organization, and over 2,400 City employees committed to service within the organization and throughout the community. I am pleased to be before you this evening to officially present the proposed budget for the City of Durham for the 2013-2014 fiscal year.

For years, we who live here have known that Durham is a great place to live, work and play, and each year that fact is affirmed by visitors, national publications, and many other organizations.

Just last month, the “SmOffice,” the world’s smallest office, received an international award for creativity and innovation from the World Chamber of Commerce. More significantly, this was the first time this award has ever been received by a city in the United States. I congratulate our partners at the Greater Durham Chamber of Commerce and Downtown Durham Inc. for putting Durham’s innovation and creativity on the global map.



Among other recognitions, you may recall back in April, Durham was named the *"Tastiest Town in the South"* by Southern Living magazine, an acknowledgment that almost every one of us can agree with.

Durham, with our more than 700 restaurants, shared company with other mega-star destinations like New Orleans, Charleston and Memphis...and we won, thanks to our great and varied cuisine , but just as important, thanks to the votes from Durham residents and visitors. I also want to take the opportunity to recognize the Durham Convention and Visitor's Bureau for their great work to receive this recognition.

Among the accolades used to describe Durham's food scene: diverse, affordable, healthy, sustainable, accessible, and of course, delicious.

This year, I thought the Tasty Town theme, and all the words to describe it, were analogous to developing a budget. Is it sustainable – that is, can it meet community needs for the long haul? Is it affordable? Do we have the resources to pay for our needs and wants? Is there diversity? Does it contain something for everyone? Is it healthy? Does the budget contain the right ingredients for proper development and growth? And as much as we would like some of everything on the menu...how do we select what ends up on our plate? The proposed budget attempts to answers these questions.



- **Coffees with Council**
- **Budget Guidelines**
- **Boards, Committees & Commissions**
- **Resident Survey**
- **Citizen Capital Improvement Panel**

Just as the Tastiest Town title was successful because of voter participation, the City's budget process also needed community participation. As in past years, we listened to elected officials and residents in many different ways as we prepared the budget.

I'd like to take this opportunity to thank the Mayor and City Council for their guidance and participation from the beginning of the budget process, and the residents who made their voices heard as well.



And while Durham's restaurant scene is varied, the restaurants all have a strategic focus – great food and great service.

Durham's strategic plan goals play a major role in driving the budget process for the City.

These goals are supported by ingredients – programs and services – measured to ensure that resources are used effectively and that decisions about the budget are based on data.

The continued prioritization of programs, aligned with Strategic Plan goals, demanded that budget priorities and new programs clearly support improving the city's economy, community, neighborhoods, management, or its infrastructure.



While in the end its all about the food...to be successful, great restaurants also have to be well-managed.

That includes being properly financed, being creative with atmosphere and presentation, having great employees that provide great customer service, reducing waste to be cost effective...well, you get the picture.

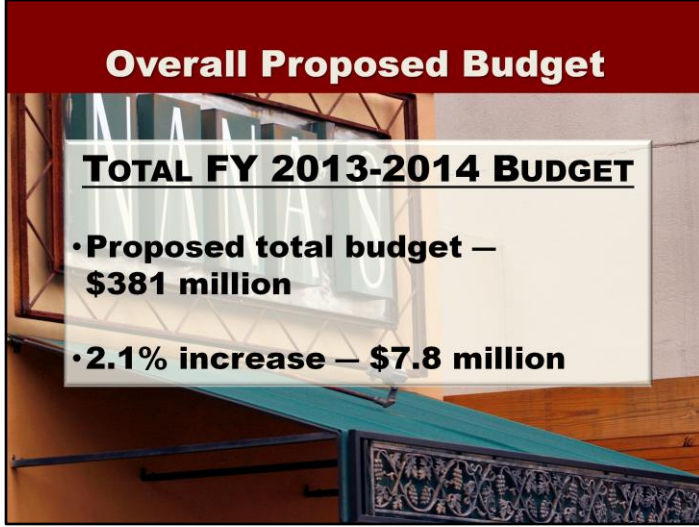
So, too our commitment for being a well-managed city includes a highly engaged workforce that is committed to excellence, creativity, and service. We are an organization that works to provide cost-effective services and adheres to sound, financial practices.

Many factors determine a well-managed city including cost of services, adequate resources to provide them - including fair and reasonable tax rates - along with responsible debt ratios, bond ratings, and reserves.

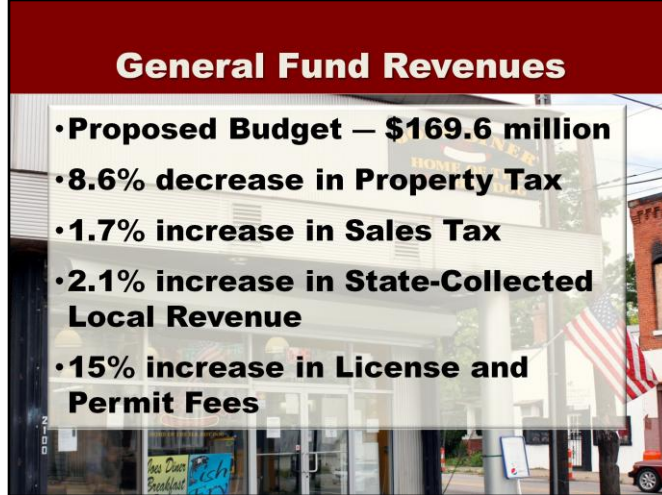
Overall Proposed Budget

TOTAL FY 2013-2014 BUDGET

- **Proposed total budget — \$381 million**
- **2.1% increase — \$7.8 million**



The proposed total budget is \$381 million for all funds and represents a \$7.8 million, or a little more than a 2 percent, increase over last year's budget.



The proposed general fund budget, which provides for most of the City's core services, is almost \$170 million dollars, a decrease of a little more than \$7 million dollars or about 4 percent from last year.

This decrease is in large part the result of a new special revenue fund to better track the penny-for-housing tax enacted last year, and reclassifying tax revenue and related expenditures more appropriately into the debt fund.

All told after these accounting adjustments, from a budget-to-budget basis, property and sales tax revenues - the largest percentage of revenues available to support general fund operations - are expected to be relatively flat in even the best case analysis because actual revenues are not meeting this year's budget estimates.

The most significant bright spot in the General Fund revenue picture is the projected growth in licenses and permits due to the significant increase in development review and building permit activity, which is expected to continue into next year.

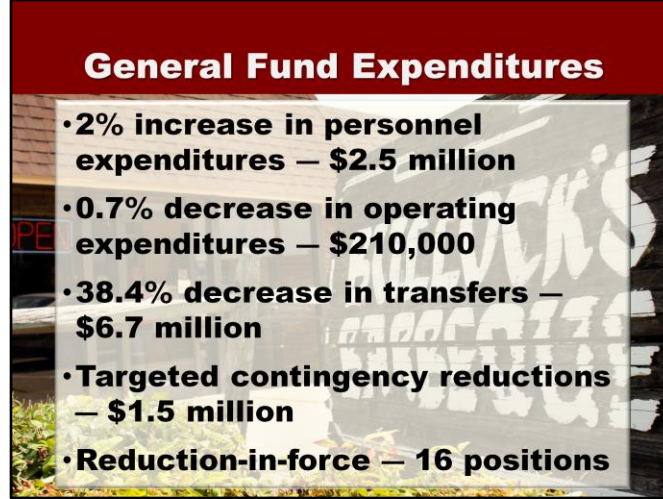
Property Tax Rate

	FY 12-13	FY 13-14
GENERAL FUND	40.03¢	37.39¢
DEBT	12.49¢	14.61¢
TRANSIT	3.23¢	3.75¢
HOUSING	1¢	1¢
TOTAL RATE	56.75¢ PER \$100	56.75¢ PER \$100

The recommended total property tax rate remains at 56.75 cents per \$100 dollars of taxable value.

The table shows how the property tax is allocated to cover property-tax-supported city expenses.

This includes increased support for transit and a reallocation of support for debt-related expenditures, and of course, the continued penny for housing.



The proposed general fund expenditures include:

- **a small increase in personnel expenditures**
- **a decrease in operating expenditures**
- **and a sizable decrease in transfers as discussed in the tax rate comparison chart.**

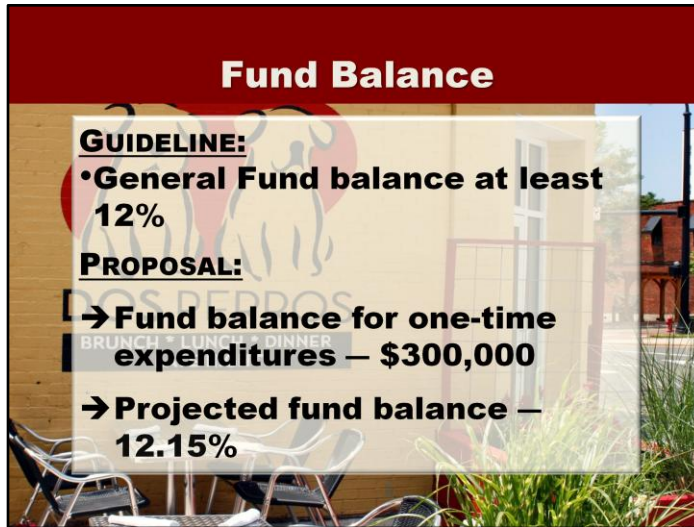
The general fund is principally supported by property tax, sales tax, and the distribution of state-collected local revenues.

While the local economy is certainly on the rebound, an increase in these revenues to the anticipated levels has not yet occurred.

This sluggish revenue growth - coupled with continued increases in public safety costs and the decline in State and Federal revenue sources to support existing transit services - have required that we look at other operations to reduce costs.

As a result, the proposed budget cuts \$1.5 million dollars, including 16 positions from department budgets.

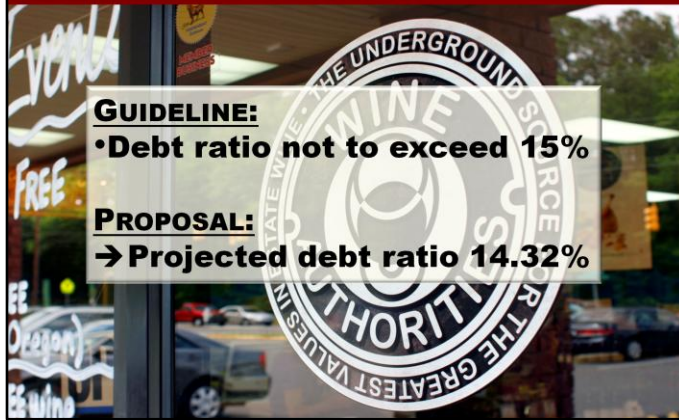
Four of these positions are currently filled and we expect the affected employees will be transitioned to other comparable positions.



The proposed budget continues to meet our General Fund balance reserve policies and is projected to be 12.15% at year end.

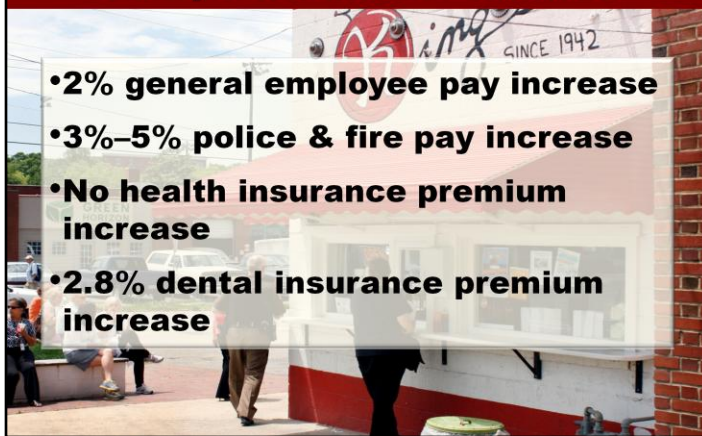
The proposed budget uses \$300,000 of fund balance reserves for one-time expenditures.

Debt Ratio



The City continues to enjoy an outstanding credit rating by all rating agencies, in part, due to a debt ratio consistent with City policies that is projected to be at 14.32%, which is below the budget guideline of 15%.

Compensation & Benefits



- 2% general employee pay increase
- 3%–5% police & fire pay increase
- No health insurance premium increase
- 2.8% dental insurance premium increase

As mentioned earlier, City employees continue to excel in service and are at the core of the positive resident satisfaction results from recent surveys. It is fair and important that the City reward performance to maintain a competitive and motivated workforce.

While it was hoped this budget would support reinstituting a more robust performance-based increase, unfortunately current resources cannot support more than that over the last two years, which is a 2 percent increase for the general employee pay plan and 3-to-5 percent increase for the police and fire pay plans.

While these pay adjustments are certainly in line with current inflationary guidelines, they in no way reflect with what I believe our employees have earned.

On a very bright note, the City's self-insured health plan continues to perform at a high level, and as a result, we are very pleased that for the second consecutive year there will not be a premium increase for health insurance. This is particularly noteworthy as health industry trends continue to reflect double-digit cost increases. Dental insurance premiums will, however, need to be increased by nearly 3 percent.

Partnerships

- **Six City/County initiatives**
 - **improved communication**
 - **saved taxpayer dollars**
 - **enabled streamlining**
- **Focus on youth, beautification, health, sustainability, and the community**
- **Durham Public Schools partnership**

Community partnerships contribute greatly to a well-run city. In Durham, partnerships between the City, County, and Durham Public Schools are critical to assure residents that resources are deployed efficiently, collaboratively, and without duplication.

This past year saw the fruition of collaborations on our joint strategic plans to benefit the overall community.

This proposed budget continues to build on our agreed-upon shared responsibilities, including warrant control, providing homeless services, gang reduction strategies, sustainability, connecting youth, school resources, and many other areas.

Especially important this year, I am recommending the City partner with the County and Durham Public Schools to fund two new positions for the Durham System of Care.

This will support the challenges of at-risk youth and connect all youth in our community to educational and job development opportunities as recommended in the IBM Smarter Cities Challenge Initiative that was completed last year.



Promoting a strong and diverse economy through growth in business and industry, including small and entrepreneurial businesses, as well as employment opportunities continues to be at the forefront of the menu for this budget.

Continued signs of economic rebound can be seen throughout the community. From the continued resurgence of downtown's new restaurants, hotels and residential options, to expansions on Duke's medical campus, to the new vision for the Research Triangle Park, it's not difficult to feel good about our progress and prospects.

Yet, we know many gaps remain to assure that economic progress and prosperity is shared throughout Durham.

Strong & Diverse Economy

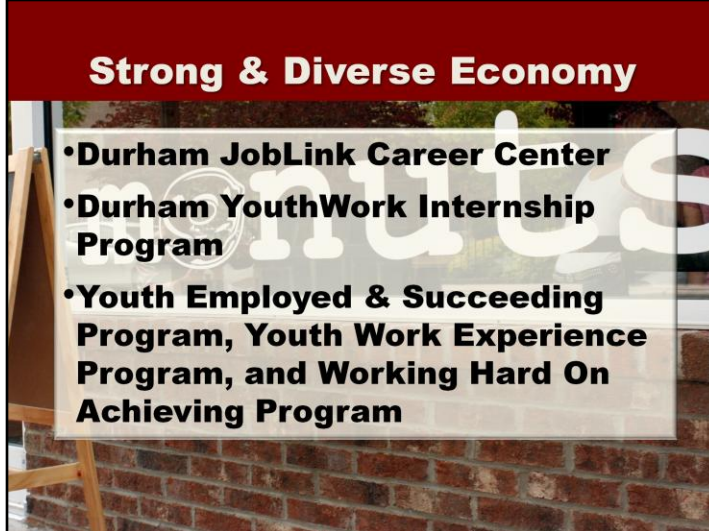
- **Downtown Business Improvement Grants – \$137,467**
- **Parrish Street Grants – \$152,629**
- **Neighborhood Revitalization Grants – \$300,000**
- **Downtown BID remains at 7¢ per \$100 of assessed value**
- **Increased inspection & planning permit activity**

Business improvement grants are funded to boost downtown revitalization.

This budget also allocates funds for Parrish Street improvements, including building enhancements and operating expenses, and other neighborhood revitalization grants.

The downtown BID remains at 7 cents per \$100 of assessed value – and continues to generate positive reviews from downtown businesses and visitors.

I would like to take this opportunity to highlight the “Find Your Cool” Summer Concert Series. This series has begun bringing downtown employees and Durham residents to the heart of downtown to enjoy great music and our restaurants. I invite everyone downtown this summer on Thursday nights to check it out.



Connecting businesses to job seekers is another high priority.

While we'll continue to provide services to businesses in partnership with the Greater Durham Chamber of Commerce, Downtown Durham Inc., and area colleges and universities, we'll also continue the Joblink Career Center partnership to train and connect potential employees to businesses seeking local talent.

Unemployment is still high for area youth. To help remedy that, the newly branded Durham YouthWork Internship Program represents a broad-based community approach to provide jobs to youth.

Special thanks to Durham County, Durham Public Schools, the Joblink Career Center System, the Durham Workforce Development Board, and private-sector businesses for expanding this program.

Strong & Diverse Economy

ARTS & CULTURE

- **Carolina Theatre – \$614,000**
- **Durham Arts Council – \$649,000**
- **St. Joseph's/Hayti Center – \$292,000**
- **American Dance Festival – \$36,000**
- **Full Frame Documentary Film Festival – \$55,000**
- **Durham Blues Festival – \$15,000**
- **Public art support – \$10,000**

Arts and culture continues to be a source of great leisure and entertainment as well as an important economic driver.

In addition to the public/private partnership that operates the highly successful Durham Performing Arts Center - without outside operating support - this budget also provides over \$1.6 million to support the operations of other great arts and culture venues, as seen on this slide, as well as nationally renowned signature events and festivals.

Continued funding for public art is also included. The City will also partner with the Cultural Advisory Board, the Durham Arts Council, and other local agencies on a N.C. Arts Council SMART grant to develop a plan to use art to improve connectivity.



A safe and secure community continues to be one of the community's highest priorities and uses the greatest share of available resources.

Thanks to continued community involvement as well as a best-practice public safety initiatives and partnerships, Durham's crime rate continues on a downward trend.

At the same time, first-response times for fire and emergency services have improved because of improved technologies and better deployment of resources.

The new joint initiative to improve cardiac resuscitation rates is also showing significant results.

Safe & Secure Community

- **All sworn police positions fully funded**
- **911 Systems Manager position**
- **Forensics certification & expansion**
- **Designs**
 - **New police headquarters**
 - **New 911 Center**
 - **Fire Station #17**

While three administrative positions in the police and fire departments were eliminated in the budget, all other sworn positions are fully funded.

The budget includes funding for 16 police department positions that were previously funded by grants.

Also, a 911 Systems Manager is proposed and will be funded by existing telephone surcharges.

Other items include new funding for additional staffing for Forensic Accreditation, and as you'll see later on our Capital Improvement Plan, design support for a new police headquarters, new 911 center, a new fire station in southeast Durham, and additional automatic vehicle locators on fire vehicles to improve response times.

Safe & Secure Community



- **Warrant control support – \$130,000**
- **Domestic violence judge – \$80,000**
- **Gang Reduction Strategy – \$72,000**

As mentioned earlier, this budget continues to fund public safety partnerships with Durham County. I am pleased to announce, based on statistics provided by Sheriff Andrews, that the four-year warrant backlog elimination project, jointly funded by the City and County, is expected to be successfully completed by the end of September. The budget fully funds the City share to complete this project.

This budget also begins to fund a new partnership between the City, County, and Sheriff's Office to provide ongoing warrant control support in the Magistrate's Office.

The budget also continues a funding partnership with Durham County to support the Gang Reduction Strategy Initiative, housed in the Criminal Justice Resource Center.

Durham's underfunded criminal justice system continues to be a great challenge and burden. For a number of years, the City has directly provided or secured grant funding for a number of positions that would otherwise be provided by a properly funded judicial system. As Federal and State-supported resource grants continue to dwindle, there is even more pressure to maintain these programs, which further strains available local resources for core services.

The budget provides funding for a domestic violence judge and funding for an assistant district attorney for gang prosecution. Continued funding of other grant-funded criminal justice positions that have, or will, expire over the next two years are not provided in this budget.



Strong neighborhoods are the building blocks of a thriving and livable community and continue to be a high priority for Durham.

While many Durham neighborhoods are satisfied with the services they receive from the City, we know that other neighborhoods need additional help and attention to become thriving and livable.

Thriving, Livable Neighborhoods



In addition to existing programs to support and improve neighborhoods, such as code enforcement and affordable housing through the City's dedicated housing fund, a new initiative called the Neighborhood Compass is funded this year.

The goal of the Neighborhood Compass is to collect data that provides key information to evaluate and improve the quality of life in our neighborhoods. It's built on a model that has proven to be successful in many communities nationwide and supports a key initiative of the Strategic Plan.

Redevelopment within the Southside communities hit full stride this year and promises to deliver the first tangible fruits of decades of planning and efforts as the first phase of mixed income rental units at the intersection of Lakewood and Roxboro, and the first phase of affordable homeownership units in the Southside/St. Theresa neighborhood, are completed. This proposed budget provides for these initiatives in the five-year housing funding plan.



Changes are underway to provide improved transit services as a result of the Designing a Better Bus Service study.

However, as voter-approved, expanded bus-and-rail plans begin to be implemented, we continue to be challenged by diminished resources and increased costs needed to meet our transit aspirations.

As mentioned earlier, this budget includes an increase in property tax dollar allocation of approximately \$1.2 million to pay for core transit services, bringing the total annual transit property tax allocation to almost \$9 million.

While maintaining the regular boarding fare of \$1, this budget includes a fare increase to the multi-day pass, all without reducing current routes, or using any of the newly enacted motor vehicle fees for expanded service. These fare changes will generate an additional \$371,000 to support closing a \$1.6 million funding gap.

A public hearing associated with these fare changes will be held at the June 3rd City Council meeting.

Fiscal year 2013-2014 is a critical year for the City's transit system. While the management agreement with Triangle Transit has been very successful, for the financial viability to be successful long-term, it is critical that a complete and fully-funded transition plan be developed to assure that basic and enhanced services are funded.

Thriving, Livable Neighborhoods

SOLID WASTE FUND

- **Solid waste capital recovery fee (\$1.50 per household/per month)**
- **New disposal agreements**
- **New transfer station**
- **“Operation Divert”**

Over the last several years, the Solid Waste Management Department has continued to improve by pursuing efficiencies and cost-effective practices as well as by identifying additional revenue-generating opportunities.

The department is primarily supported by general fund tax revenues rather than a direct-user charge. Fortunately, the overall general fund has benefited greatly from these cost-saving improvements. The department continues to pursue waste diversion as a principal goal and is seeing increased interest in yard waste and recycling programs. The department will be expanding a program – called Operation Divert – to increase recycling in underperforming areas of the city.

As a result of new disposal agreements for household solid waste and recyclable materials to be presented to the City Council at Thursday’s Work Session, a new \$3.4 million transfer station will be constructed by Waste Industries to improve transfer station operations.

Unfortunately, the department continues to struggle with adequate resources to provide for a truck fleet that meets the daily demands to collect waste from over 80,000 households each week. In order to assure an available, dedicated funding source to provide for fleet replacement, the budget includes a solid waste capital recovery fee of \$1.50 per household, per month beginning July 1. For most residents, this charge will appear on their water bill. While this fee is new to Durham, we are one of the last cities in North Carolina to initiate a monthly charge for garbage collection services.

Thriving, Livable Neighborhoods

PARKING

- **Monthly parking fee increase – \$10**
- **Special event parking fee increase – \$1**
- **New parking manager position**

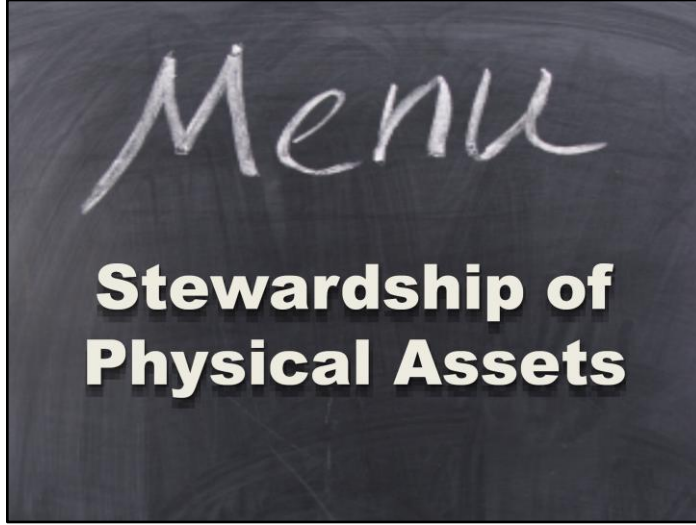


The Downtown and 9th Street Area parking study was commissioned this fiscal year to evaluate the parking resources and needs in these two districts. The results will be presented to Council later this summer.

The budget contains several of the recommendations in the study, including the increased monthly fees for parking lots and parking decks in the downtown area beginning October 1 as well as increased special event parking fees by \$1 beginning July 1.

These increased rates generate a total of \$245,000 per year that would otherwise be required of the General Fund to subsidize the Parking Fund.

The parking study also identified the need for a full-time position to manage parking resources. These activities are currently managed only as time permits and with existing resources.



Stewardship of Physical Assets

Maintaining and managing physical and environmental assets to attain community goals is a critical component of our success. However, because these assets are sometimes less visible, or can be very costly to maintain or improve, difficult decisions are often delayed due to more urgent, operational funding needs.

The City has made significant strides to commit funding over the last several years to address long-standing physical asset deficiencies. This budget continues this progress even though resource restrictions continue to keep us from reaching ideal spending patterns.

Stewardship of Physical Assets

- **Water & Sewer Budget—\$90.7 million**
 - \$2.88/month (2.5%) average rate increase
 - Water & Sewer infrastructure – nearly \$26 million
- **Stormwater Budget—\$13.6 million**
 - \$5.91/year (8.5%) Tier 2 customers
 - Stormwater infrastructure – \$3 million
- **All rate increases effective July 1**

Replacing and repairing aging water and sewer infrastructure, while meeting increasingly stringent water quality regulations, continues to be a high priority for the City.

The rate increases, recently approved by City Council, are included in this budget. These increases generate more than \$3 million for water and sewer as well as stormwater improvements.

Stewardship of Physical Assets

- 
- **Deferred Maintenance Fund – \$500,000**
 - **Street Resurfacing Fund – \$750,000**
 - **Fleet Fund – \$6 million**

The budget continues funding deferred maintenance projects at \$500,000. A complete list of projects to be funded will be provided during the upcoming budget work sessions with Council.

The completion of the 2010 bond paving program earlier this fiscal year significantly improved the condition of the poor and very poor rated streets. A new pavement condition survey is currently underway and will provide an updated look at the conditions of streets. Despite continuing resource limitations, the budget provides \$750,000 for street repaving to meet expected needs. This is short of our initial budget goal of \$1 million.

The budget includes debt funding to acquire approximately \$6 million dollars worth of fleet vehicles, including police and fire vehicles.

Stewardship of Physical Assets

- **Capital Improvement Program – \$52.7 million**
 - \$6.9 million – police headquarters design
 - \$650,000 – emergency communications relocation
 - \$250,000 – new sidewalk construction
 - \$350,000 – petition sidewalk construction
 - \$250,000 – dirt street paving
 - \$250,000 – Fire Station #17
 - \$75,000 – West Ellerbe Creek Trail
 - \$580,000 – athletic court renovations



The capital improvement budget includes nearly \$53 million for new projects or to complete existing projects.

On this list, other projects deemed essential to the City's capital infrastructure needs are funded, many of which were referenced earlier in this presentation.



I am confident this budget represents a healthy, sustainable, varied, and affordable menu that meets Durham’s needs and expectations.

Just as in any dining experience, your thoughts are important. While we are not available for a critique on Yelp, comments and questions can be sent in a number of ways – by email, on the City’s Facebook page or Twitter feed and even by video submission on the City’s YouTube channel.

Here’s your chance to let us know what you think.

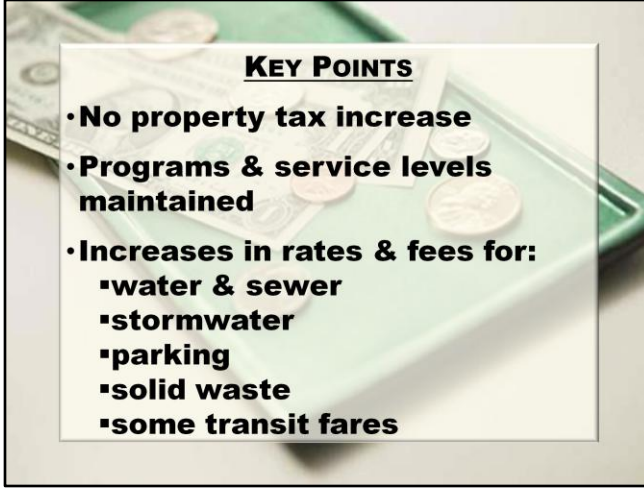
Then, we’ll respond to your comments and answer as many questions as we can during our live E-Town Hall event on Monday, June 3 – which will be aired on DTV8 and streamed from the City’s website.



In addition to our E-Town Hall event, here are some other ways you can let us know what they think.

Copies of the preliminary budget are available on the City's website, in the City Clerk's office, and in the library branches.

Also, later this year, we'll conduct our 2013 Resident Satisfaction Survey for more feedback about how we're doing.



As we prepare for the 2013 Resident Satisfaction Survey, we will continue to strive to maximize satisfaction by allocating resources to the highest community priorities.

Knowing that the results of the 2011 survey indicated that 3-in-4 residents believe Durham was moving in the right direction, and that this level of satisfaction is up almost 25 percent from 2005, I am confident that working together we can find the right balance to optimize resources and priorities. But, clearly we cannot afford every item on the menu.

As communities across the country continue to face unprecedented challenges, we are fortunate to live in a place that continues to lead, create, and innovate with incredibly engaged residents who have shown a great willingness to pay for what they believe in and value.

I am confident the proposed budget continues a commitment of innovation and improvement to help advance our community, and meet the needs of all of our residents with transparency, stewardship, and fiscal responsibility.



In closing, I want to reiterate on behalf of the entire staff that we are honored to be entrusted with the stewardship of these community resources and to serve the residents of Durham.

I continue to appreciate and value the close working relationship between the Mayor and City Council and the City Administration, and also congratulate you on the collegiality by which you conduct business and interact. Your political leadership and unselfish dedication to the Durham community are appreciated, and at the same time, inspiring.

(Howard Clement recognition)

In closing, special recognition and thanks to Budget and Management Services Director Bertha Johnson and the entire Budget staff as they have been at the forefront, of not just the budget development process, but also the continued execution of our Strategic Plan, alignment of departmental strategic plans, performance management system dashboard, and many other process-improvement initiatives this past year.

I also want to acknowledge the work of Public Affairs Director Beverly Thompson and the entire Public Affairs staff, not only for their work on this presentation, but for all they do to present the City in nothing but the best image and most transparent light.

Together we will continue striving to make Durham a place of excellence where great things continue to happen. Let's dig in! Thank you!